

Public Employees' Retirement Board

August 2015

Agency Overview - Highlights

For the State Administration and Veterans' Affairs Interim Committee

Public Employees' Retirement Board:

The Public Employees' Retirement Board consists of 7 members appointed by the governor to 5-year staggered terms. By law, membership must include:

- 3 active members of a public retirement system -- not more than 1 of the 3 may be from the same department and at least 1 of the 3 must be a member of the defined contribution plan;
- 1 retired member of the public employees' retirement system;
- 2 members at large; and
- 1 member with experience in investment management, financial counseling, or financial planning (or a person with other similar experience).

The board hires its own staff, including an executive director, which are organized into an agency called the Montana Public Employees' Retirement Administration (MPERA).

Executive Director: Dore Schwinden, 444-5459, dschwinden@mt.gov

Website: <http://mpera.mt.gov/index.shtml>

Responsibilities:

- Constitutionally responsible for administering the:
 - Public Employees' Retirement System (PERS);
 - Judges' Retirement System (JRS);
 - Highway Patrol Officers' Retirement System (HPORS);
 - Sheriffs' Retirement System (SRS);
 - Game Wardens' and Peace Officers' Retirement System (GWPORS);
 - Municipal Police Officers' Retirement System (MPORS);
 - Firefighters' Unified Retirement System (FURS); and
 - Volunteer Firefighters' Compensation Act (VFCA).
- Contracts with Great-West Retirement Services for administration of the state's deferred compensation (457) plan.
- Contracts with Cherion for actuarial services.
- Contracts with various investment funds for the PERS-DC plan.
- Provides informational material to employers and members, including retirement planning seminars.
- Additional information available from MPERA

Programs, FTE, and Budgeted Funding - FY 2016:

Programs	FTE	General Fund	State Special	Federal Revenue	Proprietary	Trust Funds	Total Funding	% General Fund
457 Plan Admin		\$0	\$0	\$0	\$0	\$207,175	\$207,175	0%
DB Plan Admin		\$0	\$0	\$0	\$0	\$4,406,505	\$4,406,505	0%
PERS-DC Admin		\$0	\$0	\$0	\$0	\$766,420	\$766,420	0%
MPERAtiv		\$0	\$0	\$0	\$0	\$4,428,898	\$4,428,898	0%
DB - Education		\$0	\$0	\$0	\$0	\$670,200	\$670,200	0%
DC - Education		\$0	\$0	\$0	\$0	\$122,159	\$122,159	0%
TOTALS	50.5	\$0	\$0	\$0	\$0	\$10,601,357	\$10,601,357	0%

Source: MPERA

Budget Summary

The PER Board adopts a budget on an annual rather than biennial basis. Funding for plan administration comes from the retirement plan trust funds themselves. Section 19-4-208, MCA, specifies that total administrative expenses for the Defined Benefit (DB) plans must be paid from investment earnings and may not exceed 1.5% of the benefits paid. Net DB plan administrative expenses total about \$6 million, which is 1.46% of DB plan benefits paid (about \$411 million).

Section 19-3-2105, MCA, deals with administrative expenses for the PERS-DC plan. Administrative costs are paid from fees assessed on assets in member accounts. These fees must be fully disclosed to plan participants. The cost for administration of the 457 deferred compensation plans are handled in a similar manner pursuant to section 19-50-102, MCA.

Statutory Advisory Councils

- Employee Investment Advisory Council

Most Recent Legislative Audits:

- Public Employee Retirement Information System (PERIS) Development Life Cycle - Information System Audit - 14DP-03 - September 2014

Summary: "The Montana Public Employee Retirement Administration is investing over \$11 million to develop a new pension management information system. Improved monitoring and documentation of project management decisions will help implement the system on time and within budget....Audit work showed the expectations of the system set out in the contract include important controls such as security, data integrity, and user access controls. Additionally, MPERA has been involving users in system development via newsletters, workshops, webinars, and established an employer advisory group. MPERA has also developed a plan that, if implemented, ensures employers impacted by the system change will be ready for the implementation." All three audit recommendations were concurred in and addressed.

Retirement Bills - 2015 Session

- See attached summary prepared by MPERA. Available online at <http://mpera.mt.gov/Legislation2015.shtml>

Committee Areas of Interest 2013-14 Interim:

- Monitored actuarial funding status of all retirement systems, special attention to GWPORS and SRS.
- Examined the allocation of employer contributions in PERS-DC plan and MUS-DC plan, which resulted in a SAVA committee bill, SB 42, which was passed and approved.
- Monitored lawsuit filed with respect to HB 454 (2013) reducing the Guaranteed Annual Benefit Adjustment (GABA) in PERS. MPERA summary and related links.

Hot Topics of 2015 Session:

- The June 30, 2014, actuarial valuations for GWPORS and SRS showed the systems' unfunded liabilities do not amortize (so the systems are not actuarially sound). The 2015 Legislature did not consider bills to address these funding shortfalls.
- The Montana Supreme Court let stand a District Court decision that the portion of HB 454 reducing the GABA for PERS retirees was an unconstitutional breach of contract rights. However, even with the full GABA for retirees, PERS is actuarially sound. According to actuarial estimates, the system's present and future pension obligations are 75% funded, with the unfunded portion of liabilities amortizing (being paid off) in 29.3 years.

Statutorily Required Reports:

- Comprehensive Annual Financial Report
- Annual actuarial reports
- Experience studies
- Special actuarial report on PERS progress toward 100% funding, required by HB 454 (2013) - included in annual actuarial report

ATTACHMENTS

MPERA organizational chart

MPERA summary of 2015 retirement legislation

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Montana Public Employees' Retirement Board

Last Updated:
07/31/2015

Executive Director
61403819
Dore Schwinden

Executive Assistant

Chief Legal Counsel
Melanie Symons

Legal Counsel

Legal Counsel

Paralegal

Call Center Lead

Customer Service Representative

Customer Service Representative

Lead Active Database Assistant

Active Database Support

Member Services Bureau Chief
Patricia Davis

Education Supervisor

Publication Specialist

Education & Training Specialist

Education & Training Specialist

Education & Training Specialist

Receptionist

File Clerk

Disability Claims Examiner

Benefits Specialist Supervisor

Benefit Analyst

Benefit Analyst

Benefit Analyst

Benefit Analyst

Retiree Database Assistant

Retiree Database Support

Retiree Audit Support

Information System Processor

Imaging Clerk

Benefit Analyst

Information Systems Bureau Chief
Angie Riley

IT Development Manager

Computer Application Engineer

Computer Application Engineer

Information Systems Analyst

Project Facilitation Specialist

Computer Systems Analyst

Business Analyst

Fiscal Services Bureau Chief
Barbara Quinn

Financial Reporting Accountant

Project Facilitation Specialist

IT Systems Supervisor

LAN Administrator

Internal Auditor

Accounting Supervisor

DB Accountant

DC Accountant

Lead Retiree Database Assistant

Accounting Technician

Data Processor Tech

2015 Retirement Legislation

The **Montana Public Employee Retirement Administration (MPERA)** is monitoring the following legislation. This list includes only those bills or portions of bills which may impact retirement systems within Montana state government and agencies contracting with MPERA. Here are comprehensive spreadsheets of all tracked [House bills](#) and [Senate bills](#), and their current status.

To view the entire contents of this and other legislation, visit the [Legislature's LAWS website](#). Our [Facebook](#) page is updated immediately as the bill status changes, so follow us for all the latest in retirement legislation!

A list of introduced bills, their sponsors and their most recent action is below.

<u>HB 59</u> Ryan Lynch	<u>Increase university system supplemental contribution to TRS</u> Increases the University System Retirement Program Supplemental employer contribution <u>Bill Action:</u> Tabled In Committee <u>Board Position:</u> Support
<u>HB 85</u> Tom Woods	<u>Revises the administration and tax qualification laws of the TRS</u> Revises administrative and federal tax qualification provisions of the <u>Teachers' Retirement System</u> , revising provisions related to the correction of errors, creditable service, optional retirement allowances, compensation limitations, maximum contributions, differential wages payments, disability benefits death benefits and group insurance premium withholding. <u>Bill Action:</u> Chapter Number Assigned 04/09/2015 <u>Board Position:</u> None taken
<u>HB 101</u> Tom Steenberg	<u>Generally revise administrative laws of the MPERA retirement systems</u> Revises laws related to the administration of PERS, revises provisions of the <u>PERS</u> , <u>JRS</u> , <u>HPORS</u> , <u>SRS</u> , <u>GWPORS</u> , <u>MPORS</u> , and <u>FURS</u> . Revises the provisions of the <u>VFCA</u> . Revises the sharing of confidential income information, providing for the recovery of improper payments, revising certain benefits for contingent annuitants and beneficiaries, clarifying optional membership provisions clarifying the calculation of certain benefits, revising certain benefit payments and membership election provisions, eliminating expired provisions and providing a delayed effective date. <u>Bill Action:</u> Chapter Number Assigned 04/17/2015 <u>Board Position:</u> Board bill proposal
<u>HB 107</u> Rob Cook	<u>Revise defined contribution plan funding laws</u> Revises the allocation of employer contributions in the PERS; reallocating certain employer contributions from the system's defined benefit plan to member accounts in the system's defined contribution plan; striking the allocation of temporary contributions to the defined contribution plan disability fund;

eliminating a provision requiring the PERS Board to actuarially adjust certain contributions between the system's defined benefit plan and the system's defined contribution plan.

Bill Action:

Chapter Number Assigned

04/02/2015

Board Position:

Board bill proposal

HB 124

Wendy
McKamey

Revises retirement plan laws to ensure federal tax qualification.

Revises commingled and group trust provisions to comply with federal law, revises the mortality tables used to determine compliance with federal law, revises references to eligibility for military service to comply with federal law; revises the catch-up age for public safety employees participating in a deferred compensation plan to comply with normal retirement age provisions, revises the definition of deferred compensation plan participant to include anyone enrolled in a deferred compensation plan, whether still employed or not.

Bill Action:

Chapter Number Assigned

03/30/2015

Board Position:

Board bill proposal

HB 170

David (Doc)
Moore

Revise definition of compensation in police retirement system

Seeks to include overtime, holiday payments, shift differential payments, compensatory time payments and payments in lieu of sick leave and annual leave.

Bill Action:

Tabled In Committee

Board Position:

Remain Neutral

HB 264

Virginia Court

Require notification of change to retirement plan beneficiary

Require notification of a designated beneficiary under Montana's Public Employee Retirement Plans when changes are made concerning the beneficiary's designation.

Bill Action:

Tabled in Committee

02/04/2015

Board Position:

Oppose

HB 392

Frank Garner

Establish reemployment provisions for MPORS members

Establishes provision concerning the reemployment of members of the Municipal Police Officers' Retirement System (MPORS).

Bill Action:

Chapter Number Assigned

04/09/2015

Board Position:

HB 408
Greg Hertz Revise contract rights for new members of public employee retirement plans
Revises contract rights for new members of the defined benefit retirement plans administration by the Public Employees' Retirement Board and for TRS.

Bill Action:
Tabled in Committee

Board Position:
Oppose

HB 483
Ed Lieser Raising pension benefit in VFCA
Raises the pension benefit available to an eligible member under the Volunteer Firefighters' Compensation Act.

Bill Action:
Chapter Number Assigned
04/29/2015

Board Position:
Oppose

HB 564
Andrew Person Revise social security laws
Raises the pension benefit available to an eligible member under the Volunteer Firefighters' Compensation Act.

Bill Action:
Chapter Number Assigned
04/17/2015

Board Position:

HB 574
Jeff Essmann Revise compensation definition and funding in police and fire retirement systems
Revised the Municipal Police Officers' and the Firefighters' Unified Retirement System law concerning the definition of compensation and contributions based on that compensation.

Bill Action:
Tabled in Committee
03/31/2015

Board Position:

SB 42
Sue Malek Revise allocation of contribution in the PERS Defined Contribution plan
Revises the allocation of employer contributions and the effective date for changes in the allocation of the employer contributions in the PERS defined contribution plan and the MUS-RP; providing an immediate effective date and a retroactive applicability date.

Bill Action:
Chapter Number Assigned
04/07/2015

Board Position:
Support

SB 74

Mary Sheehy
Moe

Revise PERS employer contribution laws for the Montana State University System

Allocates additional employer contributions for the MUS-RP who are in positions covered under PERS and providing an immediate date and a retroactive applicability date.

Bill Action:**Chapter Number Assigned**

04/07/2015

Board Position:

Board bill proposal

SB 121

Douglas (Doug)
Kary

Revise what employment by a PERS retiree is considered active member service

Eliminates service by an independent contractor as employment covered by the PERS for the purposes of retiree reemployment limitations and employer contributions.

Bill Action:**Tabled in Committee**Board Position:SB 141

Llew Jones

Repeal termination of reemployment provision for certain retired TRS members

Repealing the termination of a provision allowing certain retired teachers, specialists and administrators under the TRS to be reemployed in certain circumstances without being subject to the standard limitations.

Bill Action:**Chapter Number Assigned**

04/02/2015

Board Position:

None Taken

SB 161

Roger Webb

Prohibit 457 deferred comp plan from accepting rollovers

Prohibits government employer-sponsored deferred compensation plans from accepting certain rollovers, requiring a determination by the Internal Revenue service providing for contingent voidness.

Bill Action:**Tabled in Committee**Board Position

Oppose

SB 238

Mark Blasdel

Create a deferred retirement option plan (DROP) in Hwy Patrol Retirement Plan

Establishes a deferred retirement option plan in the Highway Patrol Officers' Retirement System (HPORS), specifying eligibility and participating criteria, contributions and interest rate to be credited, and provides for survivorship benefits and distribution options.

Bill Action:**Chapter Number Assigned**

04/22/2015

Board Position

Informational

SR 46

Dee Brown

Confirm appointees to public employees' retirement board

A resolution of the Senate of the state of Montana concurring in, confirming and consenting to the appointments to the Public Employee's Retirement Board made by the Governor and submitted by written communication.

Bill Action:

Filed with the Secretary of State

04/24/2015